FINANCIAL NEWS

Grocery food price rise, outpaces menu inflation

by Milford Prewitt

WASHINGTON — Grocers raised their prices in November to resume an upward year-to-year price rise that has outpaced restaurant menu inflation for most of 1989.

The resumed rise in grocery store food prices comes just two months after the rate of increase for menu items nearly intersected price rises at supermarkets. That was when September's year-to-year rise for food away from home jumped 4.7 percent vs. a 5-percent increase for food at home.

But when unadjusted for such events as strikes, seasonality of supplies, inflation, holidays and the like, food at home jumped 6 percent November to November. By contrast, the unadjusted rise for food away from home rose 4.7 percent in November, the same rate as September.

Both findings were the result of the monthly U.S. Labor Department's Consumer Price Index last month.

In an uncanny statistical pattern, food away from home has alternately fallen and risen exactly one-tenth of a percent in year-to-year comparisons every month since April, specifically 4.6 percent to 4.7 percent.

One interpretation from the government's report on the price of food away from home is that restaurateurs have attempted to hold the line on menu price hikes for most of the year. While in absolute terms it is still cheaper to eat at home than away, in relative terms the government's consumer price index means that prices are inflating at a slower rate in restaurants than in grocery stores.

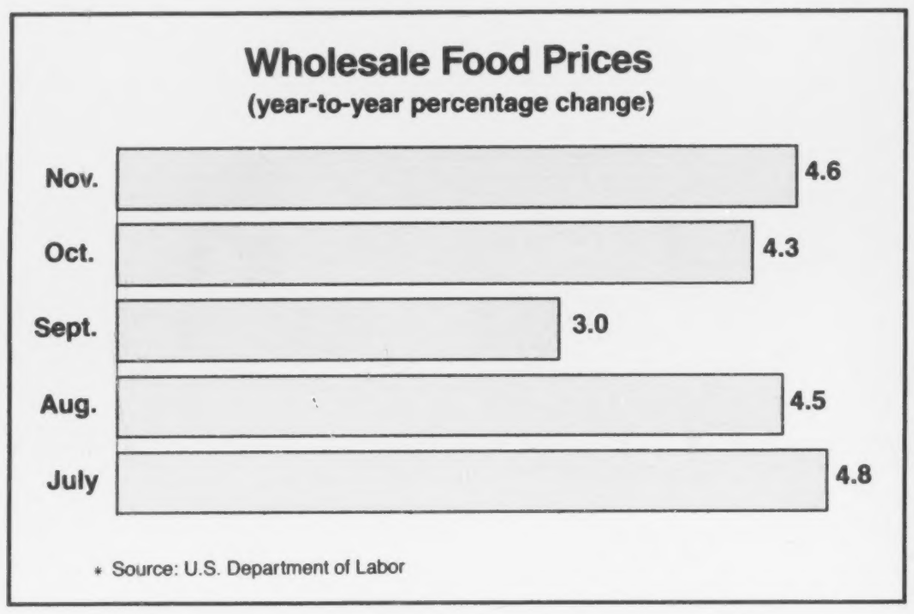
Restaurateurs' attempts to restrain menu price hikes is all the more challenging since operators are paying more for food and are generally recording lower traffic counts. The November retail sales estimate showed a 3-percent uptick in November-to-November volume, but analysts argue that the industry's rate of growth has been declining for the past six months.

According to the Labor Department's November Producer Price Index, which includes a broad review of monthly wholesale food price levels, finished consumer foods jumped 4.6 percent in year-to-year unadjusted comparisons.

The November-to-November wholesale food-price rise was led by a 23.3-percent jump in pork prices followed by a 14.1-percent hike in dairy products. As was the case in October, the continued rollout of the McRib Sandwich was again cited as a contributing factor in the rise of pork prices.

But Leland Suthered, a pork specialist for the U.S. Department of Agriculture, said the 23.3-percent price hike for pork in the producer price index may be misleading. He noted that the pork prices in the consumer price index rose only 6.2 percent since November of last year in unadjusted comparisons.

"So when you figure a drop in supply of about 4 to 5 percent, a 1-percent increase in population, a rise of 6.2 percent in the CPI seems quite reasonable," he said.



FOOD PRICE OUTLOOK

Freeze hits southern states

by Patt Patterson

The exact extent of the damage wasn't known at presstime, but the freeze that hit most of the Southern states from Texas to Florida at the end of the third week of December has caused considerable loss. Citrus groves in both Texas and Florida were hit hard, and vegetable crops in both states were damaged. Expect some fresh vegetable prices to rise, particularly in the Midwest and West. Fresh citrus prices as well as frozen concentrated orange juice prices will probably jump short term; long term is still a question.

Cheese prices seem to have stabilized. Because supplies are tight and demand high, particularly for Mozzarella, how long that situation will hold is anybody's guess. Some industry observers expect prices to fall a bit, but there is no agreement on when and how much . . . Milk products in general, with the exception of butter, are in short supply; prices could rise further . . . Future prices of butter depend upon world prices and export demand. If export demand increases strongly, prices will rise. If export demand remains stable, further price drops may occur.

Frozen broccoli and cauliflower are in tight supply, but packers are expected to rebuild inventories by spring . . . Frozen green bean supplies are good, but some packers reported tight supplies of Fancy grade . . . Frozen corn-on-the-cob supplies are below average with prices expected to increase into spring. Frozen cut corn also faces price rises.

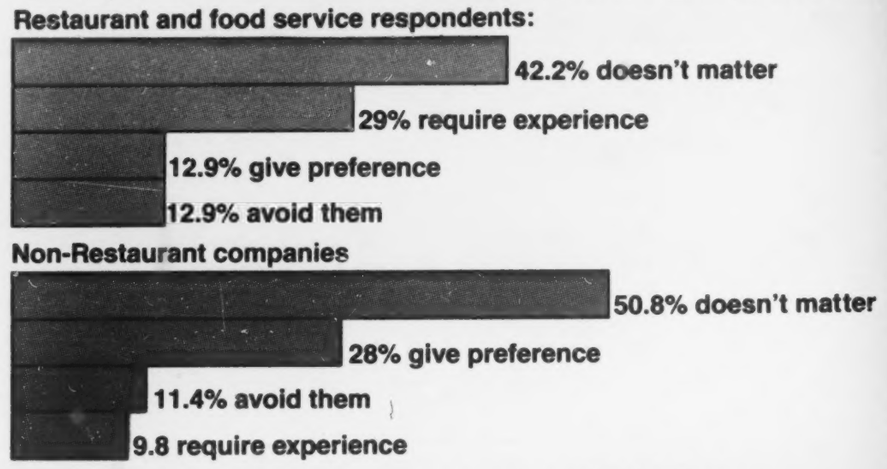
Canned corn is in better shape. Although Fancy grades and vacuum-packed cut corn are in short supply, others grades and packs are ample. Some packers are requiring wholesalers to follow mandatory ordering ratios between whole kernel and cream-style corn . . . Canned green beans are in good supply, and prices have dropped . . . Canned peas are in tight supply. Expect supplies to be prorated to wholesalers this month or next, with prices rising to reflect shortages.

NRN FACT FILE

A look at the statistics shaping the industry

Do you require franchisee prospects with industry experience?

Asked of 64 restaurant and food service companies that franchise, part of a national poll that included 229 diverse companies in nine different industries.



* Source: 1989-1990 DePaul University Francorp Franchise Sales & Marketing Survey

FINANCIAL DIGEST

Volunteer Capital Corp. posts 67% decline

BRENTWOOD, Tenn. — Volunteer Capital Corp. posted a net loss of $15.7 million for the nine months ending its third quarter on Oct. 1.

The company attributed the nose dive to the sale of its Mrs. Winners restaurant division, accounting for a $12.1 million writeoff.

For the quarter the company lost $387,000 vs. a net loss of 848,000 for the comparable time period last year.

The sale of Mrs. Winners squashed Volunteer's sales by 67 percent, from $28 million a year ago to $9.1 million for the recent quarter.

Although the company reported net proceeds of $21.9 million from the sale of its Mrs. Winner's division, it lost $518,000 on sales of $18.8 million Mrs. Winners had generated before it was sold Aug. 23.

For the nine months Volunteer Corp. recorded sales of $50.2 million compared with $79.9 million a year ago.

Volunteer's Wendy's Division grew 3.4 percent in third-quarter average store sales to $184,000. For the nine months average store volume in the Wendy's Division was $528,000, a 7- percent jump.

Herman Cain named bank chairman

OMAHA, Neb. — Herman Cain, president and chief executive officer of Godfather's Pizza, has been named chairman of the Omaha Branch of the Federal Reserve Bank of Kansas City. A director on the five-member board since January of this year, Cain will begin serving his one-year term as chairman Jan. 1, 1990.

The Omaha branch of the Federal Reserve Bank provides such services as check clearance, electronic payments and U.S. government securities, and it facilitates currency and coin transactions to financial institutions in Nebraska. Branch directors meet monthly to consider economic and financial developments and various operating matters.

Resorts International files Chapter 11

CAMDEN, N.J. — Resorts International filed a Chapter 11 bankruptcy petition and reorganization plan listing more than $300 million in secured debt.

Much of the debt consisted of high-risk, high-yield bonds sold by Drexel Burnham Lambert to help entertainer Merv Griffin buy the casino and hotel.

Griffin, the chairman of Resorts, purchased the company and its affiliates for $365 million from New York deal-maker and billionaire real-estate speculator Donald Trump in a leveraged buy-out that soon proved to be too costly for the casino operation to bear.

Under the terms of the reorganization, holders of $925 million of secured and unsecured debt will receive new bonds and a majority of the company stock. A majority of the voting bondholders must approve the reorganization.

Morrison posts 8% revenue gain in 2nd Q

MOBILE, Ala. — The opening of 14 new restaurants during the past 13 weeks helped Morrison Inc. post an 8-percent jump in profit for its second quarter ended Dec. 2.

The company made $8.7 million on sales of $229 million. For the 26-week operating period, Morrison's net income was $14.9 million on revenues of $437 million.

During the past 13 weeks, Morrison opened two Morrison Family Dining units, bringing the total company operations to 174; two L & N Seafood Grills, for a total of 23 company units; one Silver Spoon unit, for a total of seven units; and nine Ruby Tuesdays, for a company total of 98.

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NRN Photo

Roland and Mary Beth Liccioni in the dining room of Le Francais.

Liccionis put their personal stamp on Le Français

by Carolyn Walkup

WHEELING, Ill. — As Le Français embarks on a new decade, it is different from what it was under the leadership of its founder, chef Jean Banchet.

Roland and Mary Beth Liccioni, new owners of the Chicago area's citadel of haute cuisine, have wasted no time making over the restaurant into their own style since they bought the business last summer when Banchet and his wife, Doris, decided to take life a little easier.

Gone is the elaborate cart parade of raw products that used to precede every dinner, replaced by a shorter presentation of cooked specials. Also gone are the lengthy menu and oversized portions.

About 70 percent of the current menu is chef Liccioni's creation, he said. The first modifications he made were to lighten the sauces, reduce the portion sizes and correspondingly lower the prices.

"Our prices are about 20 percent less than they were," said Mrs. Liccioni, pastry chef and dining room supervisor. Entrée prices now average $29, compared with $35 under Banchet. Checks average about $75 for dinner and $24 for lunch, a new daypart the Liccionis have added.

Examples of daily specials likely to turn up on this winter's dinner menu include a combination of salmon tournedos with sorrel sauce and brill with a coulis of yellow tomato and basil; a combination of wild partridge, tournedos of rabbit loin and stuffed leg of goose with natural juices; and medallions of venison with quince and juniper berries.

Customers who became acquainted with Liccioni's work at Carlos in nearby Highland Park, Ill., will recognize his artistry and eye for color on their elaborately decorated plates. Written menu portrayals cannot describe embellishments such as edible butterflies made of multiple miniscule vegetables or sauces edged in purees

(See LICCIONIS, page 64)

Moynihan plans FICA cut; industry officials leery

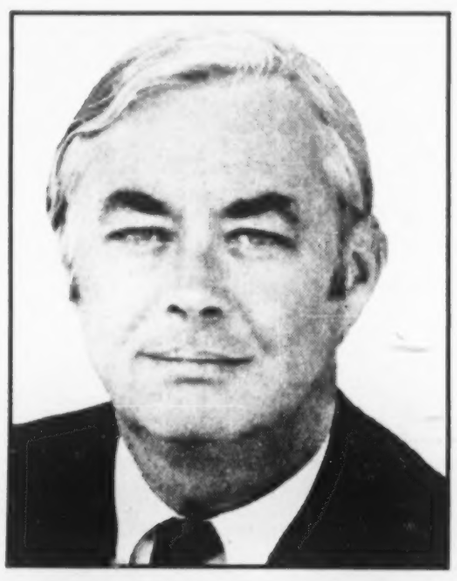
Lobbyists question senator's motives in rollback

by Peter Romeo

WASHINGTON — Instead of cheering Sen. Daniel Moynihan's plan to repeal the recent Social Security tax hike, foodservice officials said they are bridling their enthusiasm until the New York Democrat lays more of his cards on the table.

The leaders expressed fears that the powerful senator might actually be embracing the cause merely to politically set the scene for new and more expensive employee-benefits programs. But Moynihan said his sole motive is a cut in higher-than-necessary taxes.

Moynihan's proposal would roll back employers' Federal Insurance Control Act tax rate to the pre-January level of 7.51 percent, from today's 7.65 percent. The levy operators pay on behalf of their employees would be further reduced, to 6.65 percent, in 1991.



Daniel Moynihan

In addition, Moynihan wants to drop the maximum taxable compensation figure to $48,000 per employee, from the current cap of $51,300. Employers would not be required to pay FICA taxes on amounts exceeding that threshold.

The various adjustments would save employers $3.5 billion this year and $27.5 billion in 1991, Moynihan said. According to his data, a foodservice operator with a $100,000 payroll would pay $1,000 less in 1991 than he or she does today, assuming that no salary exceeded $48,000.

"Initially, it seems like a positive thing," said Pamela Sederholm, executive director of the Foodservice and Lodging Institute, a trade association for hospitality chains' lobbyists and legal counsels. "But no one has seen a definition of the terms yet. We just don't know why he's doing it."

The National Restaurant As-

(See FICA, page 63)

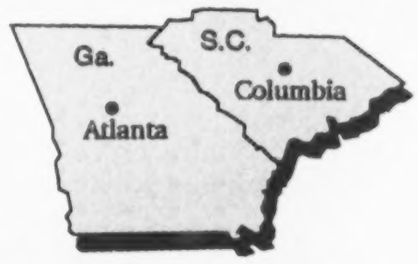
Seafood sizzles in Columbia, SC

Chains compete for a chunk of growing market

by Jack Hayes

COLUMBIA, S.C. — More than 100 miles from the nearest ocean, the landlocked capital of South Carolina is quickly becoming one of the budget seafood capitals of the South, with at least 20 local and chain operators gripped in a red-hot fry-off.

"I sometimes wonder how we stay alive here," said George Harrell Jr., who manages three budget



seafood stores in Columbia for The Shrimper, a 12-unit chain serving lunch and dinner in the "Calabash" style — a reference to the North Carolina coast.

"But whatever it is, we're going to keep doing it," maintained Harrell, who competes with a Long John Silver's, a Hungry Fisherman, five Captain D's, four Chappy's Fish & Chips, and four Parklane Seafood Houses.

Not counting the more upscale Red Lobster, which now op-

(See COLUMBIA, page 4)

PoFolks on the rebound after Ch. 11 shakeup

by Jack Hayes

NASHVILLE, Tenn. — Nine months after emerging from Chapter 11, PoFolks Inc. has cut enough fat from its once-flabby corporate gut that the 136-unit system may yet bounce back to health as a family restaurant chain.

Having announced a second consecutive quarterly profit since completing its reorganization last April, PoFolks has reopened franchising and is rolling new marketing and operating programs out of company test and into its fran-

chised stores.

At the same time the company is introducing cash bonuses on the heels of a new retirement package it set up for store managers and it's boasting that management

(See POFOLKS, page 64)

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NEWS BRIEFS

Government hangs 'For Sale' signs on 50 restaurants

WASHINGTON — A federal agency is selling 50 restaurant sites as part of the government's plan to peddle the assets of failed savings-and-loan institutions.

The properties were repossessed by the lenders before they were in turn seized by the federal government. The locations are scattered throughout the nation, according to the Resolution Trust Corp., which was formed to handle the divestitures.

The federal agency is selling a total of 30,000 lots to defray the huge cost of supporting lending facilities with $120 billion in unrepaid loans.

Former VP of TGI Friday's named president of Ground Round

WOODBRIDGE, N.J. — International Proteins Corp. has tapped TGI Friday's executive Michael P. O'Donnell as president and chief executive of its newly acquired Ground Round family restaurant chain.

O'Donnell, 33, replaces chairman Eric Bernard, who died two months before IPC acquired the 214-unit family restaurant chain in November.

Prior to joining Ground Round, O'Donnell was senior vice president of operations at competitor TGI Friday's. O'Donnell's career includes a stint at Kidder Peabody, director of franchise projects at Pepsico's Pizza Hut, and president of Pollo Food Services, a Florida franchisee of the Grandy's fast-food chicken chain.

Pangaud, Keh team up to open Gérard's Place

NEW YORK — Celebrated chef Gérard Pangaud, a 21-year industry veteran and former chef at Aurora, plans to open a namesake restaurant, Gérard's Place, this week.

Pangaud and restaurateur David Keh, owner of the now-defunct David K's Cafe, will be equal partners in the venture. The new place will be housed in the David K's site at 1115 Third Ave., with an entrance on 65th Street between Second and Third avenues.

The new restaurant will feature a mix of renovated French bistro food and what Pangaud calls his own "imaginative cuisine." Appetizers, priced from $6 to $10, include pigs feet and a terrine of leeks and scallops. Entrées, all priced under $19, include grilled swordfish with marinated vegetables and smoked salmon with lentils.

Polystyrene banned in New Haven, Conn.

NEW HAVEN, Conn. — In a fit of last-minute politicking, the City Council has banned the use of polystyrene foodservice containers after July 1.

According to the Connecticut Restaurant Association, the lawmakers had earlier agreed to add amendments exempting foodservice establishments that participate in polystyrene recycling programs. Hospital feeding programs would also have been excluded.

But the council switched at the last minute and passed the measure without the amendments, the TRA said. It noted that the council's leader, who was sympathetic to the foodservice industry's concerns, was ousted by his fellow lawmakers right before the packaging ban was put to a vote.

Hamden, a New Haven suburb, has also banned polystyrene containers. Many other areas have been seeking to discourage or ban the use of polystyrene because the material is perceived as being a detriment to the environment.

Sambo's founder acquires Restaurants Etc. in Shari's push

PALM DESERT, Calif. — Sam Battistone, the founder of the now-defunct Sambo's coffee-shop chain, is leading his StratAmerica company in a buyout of Restaurants Etc., a 14-unit family dining operation based in Sacramento, Calif.

Battistone, the president of StratAmerica, said the company is exercising an option to purchase Restaurants Etc. as the first step toward developing the company's family dining division and becoming a major licensee of Shari's Restaurants. StratAmerica Corp. acquired nine Shari's Restaurants in the deal, along with five Heidi's Restaurants. The agreement also calls for a license agreement with Shari's Management Corp. allowing StratAmerica to open and operate Shari's Restaurants in Arizona, California, Colorado, Utah, and Wyoming.

StratAmerica Corp. also holds a $4.5 million note from Shari's Management Corp. It can be converted, subject to dilution, into approximately 40 percent ownership of Shari's Management Corp. which owns 32 Shari's Restaurants in Oregon and Washington.

KFC buys Australian chain, launches push in New Orleans

LOUISVILLE, Ky. — Kentucky Fried Chicken has acquired Australia's 32-unit Ollie's chicken chain for an undisclosed amount and said it plans to convert the restaurants into KFC units.

In other news, the company announced that it will strengthen its foothold in the New Orleans market by building five advance-design KFC units. KFC is leasing real-estate sites from The Schwegmann Cos., a supermarket chain. In addition, KFC will remodel two New Orleans restaurants acquired from a franchisee last fall.

In Australia's heavily populated state of Victoria, KFC will double its presence through the acquisition and conversion of Ollie's, company officials said. The move is part of a drive to bolster KFC's penetration in Australia, the company's second largest foreign market behind Japan.

Court awards $556,000 damages in disabled access suit

BERKELEY, Calif. — Judging against a restaurant that didn't provide wheelchair access to patrons, a court awarded $556,000 in punitive and emotional damages to a disabled University of California at Berkeley student.

The student, Julie Weissman, sued H's Lordships Restaurant following an "embarrassing and upsetting" incident where she had to be carried down stairs into the restaurant's dining room, according to published reports.

The key to the plaintiff's case reportedly was a builder who testified that the restaurant refused bids for the construction of wheelchair ramps at its entrance. The restaurant only had back-door access ramps.

EEOC files discrimination suit against Gilbert-Robinson

BALTIMORE — The U.S. Equal Employment Opportunity Commission's district office here has filed a discrimination suit against dinner-house operator Gilbert-Robinson Inc. on behalf of a black manager who was allegedly dismissed in 1986, shortly after the company acquired the Darryl's chain from General Mills.

The EEOC's suit alleges that Gilbert-Robinson unfairly discharged the only black general manager employed within the Darryl's chain. He worked at a Darryl's dinnerhouse in Hampton, Va. The lawsuit asserts that the company violated Title VII of the Civil Rights Act of 1964, as amended, which prohibits race discrimination in employment.

A spokeswoman for Gilbert-Robinson, which also operates and franchises Houlihan's restaurants, declined to comment on the lawsuit.

The EEOC has petitioned the court to grant a permanent injunction preventing Gilbert-Robinson from discriminatory employment practices. It also has asked for reinstatement of the discharged employee with appropriate back wages and other relief.

Homestyle elevates top execs to chairman, prexy

OLDSMAR, Fla. — Homestyle Buffet Inc. has promoted president Barry M. Rowles to chairman of the board and named George P. Burkhardt president of the 18-unit buffet restaurant chain.

Current chairman Dermot F. Rowland will continue to serve on the board.

Burkhardt, formerly president of the Darryl's restaurant chain, had been executive vice president since he joined Homestyle last August. Prior to that he was a restaurant management consultant. Early in his career, Burkhardt was an accountant with Peat, Marwick.